

VILLAGE OF SICILY ISLAND, LOUISIANA

ANNUAL FINANCIAL STATEMENTS

**AS OF JUNE 30, 2005
AND FOR THE YEAR THEN ENDED**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11-23-05



SILAS SIMMONS LLP

CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS

VILLAGE OF SICILY ISLAND, LOUISIANA

**Annual Financial Statements
As of and for the Year Ended June 30, 2005
With Supplemental Information Schedules**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Art Goode, Mayor
and Members of the Board of Aldermen
Village of Sicily Island
Sicily Island, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Village of Sicily Island, Louisiana, as of and for the year ended June 30, 2005, which collectively comprise the Village's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of Village of Sicily Island, Louisiana's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of Village of Sicily Island, Louisiana as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 16, 2005, on our consideration of Village of Sicily Island, Louisiana's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 7 and pages 28 and 29, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Silas Simmons, LLP

Natchez, Mississippi
September 16, 2005

Required Supplemental Information (Part I)

VILLAGE OF SICILY ISLAND, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005

INTRODUCTION

The management discussion and analysis (MD&A) of the Village of Sicily Island, Louisiana's financial performance provides an overall narrative review of the Village's financial activities for the year ended June 30, 2005. The intent of this discussion and analysis is to look at the Village's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the Village's financial performance. The Village has elected not to present data comparing fiscal year 2005 to 2004.

The Village of Sicily Island, Louisiana is located in northeast Louisiana along Highway 15. The population, according to the 2000 census is 455. The local economic base is driven mainly by farming.

FINANCIAL HIGHLIGHTS

- Assets exceeded liabilities by \$2,300,616.
- Total revenues exceeded expenditures by \$244,287.
- The total capital assets were \$2,374,882 and debt associated with capital assets totaled \$277,204.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Village of Sicily Island, Louisiana's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The statement of activities presents information showing how the Village's net assets changed during the most recent fiscal year.

The government-wide financial statements outline functions of the Village that are principally supported by property taxes and intergovernmental revenues (governmental activities). Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The basic governmental fund financial statements can be found on pages 10 through 16 of this report.

VILLAGE OF SICILY ISLAND, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005

OVERVIEW OF FINANCIAL STATEMENTS – continued

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 through 27 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets serve as a useful indicator of a government's financial position. Assets exceeded liabilities by \$2,300,616 as of June 30, 2005.

Net Assets for the period ending June 30, 2005

The following is a condensed statement of the Village of Sicily Island, Louisiana's net assets as of June 30, 2005:

	<u>Government Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Current Assets	\$ 212,508	\$ 62,151	\$ 274,659
Noncurrent Assets	<u>162,953</u>	<u>2,211,929</u>	<u>2,374,882</u>
Total Assets	<u>375,461</u>	<u>2,274,080</u>	<u>2,649,541</u>
Current Liabilities	32,833	62,092	94,925
Long-term Liabilities	<u>-</u>	<u>254,000</u>	<u>254,000</u>
Total Liabilities	<u>32,833</u>	<u>316,092</u>	<u>348,925</u>
Net Assets			
Investment in capital assets, net of related debt	159,622	1,938,056	2,097,678
Restricted for debt service	-	15,697	15,697
Unrestricted	<u>183,006</u>	<u>4,235</u>	<u>187,241</u>
Total Net Assets	<u>\$ 342,628</u>	<u>\$ 1,957,988</u>	<u>\$ 2,300,616</u>

The following is a summary of the statement of activities for the year ended June 30, 2005:

	<u>Government Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Revenues:			
Program revenues	\$ 157,280	\$ 574,166	\$ 731,446
General revenues and transfers	<u>103,900</u>	<u>(43,846)</u>	<u>60,054</u>
Total revenues and transfers	<u>261,180</u>	<u>530,320</u>	<u>791,500</u>

VILLAGE OF SICILY ISLAND, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005

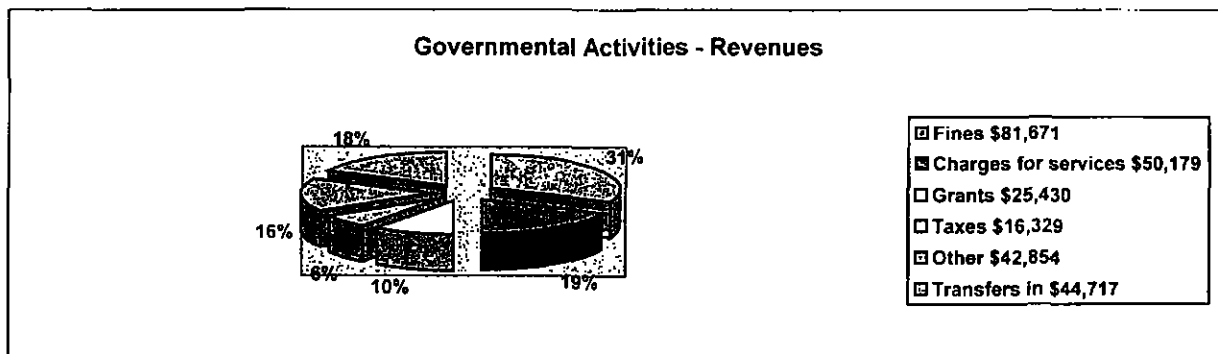
GOVERNMENT-WIDE FINANCIAL ANALYSIS – continued

	<u>Government Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Expenses:			
General and administrative	\$ 123,485	\$ -	\$ 123,485
Public safety:			
Police	88,218	-	88,218
Fire	17,479	-	17,479
Public works - sanitation	27,415	-	27,415
Interest expense	525	-	525
Utility expense	-	290,091	290,091
Total expenses	<u>257,122</u>	<u>290,091</u>	<u>547,213</u>
 Increase in net assets	 4,058	 240,229	 244,287
 Net assets June 30, 2004	 <u>338,570</u>	 <u>1,717,759</u>	 <u>2,056,329</u>
Net assets June 30, 2005	<u>\$ 342,628</u>	<u>\$ 1,957,988</u>	<u>\$ 2,300,616</u>

GOVERNMENTAL ACTIVITIES

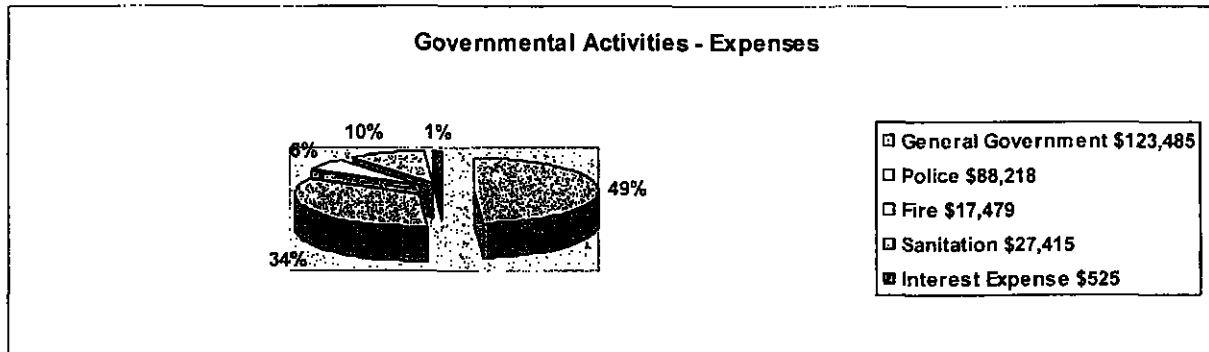
The Village of Sicily Island, Louisiana's governmental activities consist of general government, public safety (police and fire), public works, and payment of interest expense of long-term debt. Since the revenues generated by the general government (e.g. fines, property taxes, garbage fees, occupational licenses, franchise taxes, and federal and state grants) were not sufficient to pay all of the expenses of these activities, cash of \$44,717 was transferred from the business type activities (utility fund) to help pay the costs.

The following presents in graph the information from the Statement of Activities for Governmental Activities.



VILLAGE OF SICILY ISLAND, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005

GOVERNMENTAL ACTIVITIES – continued

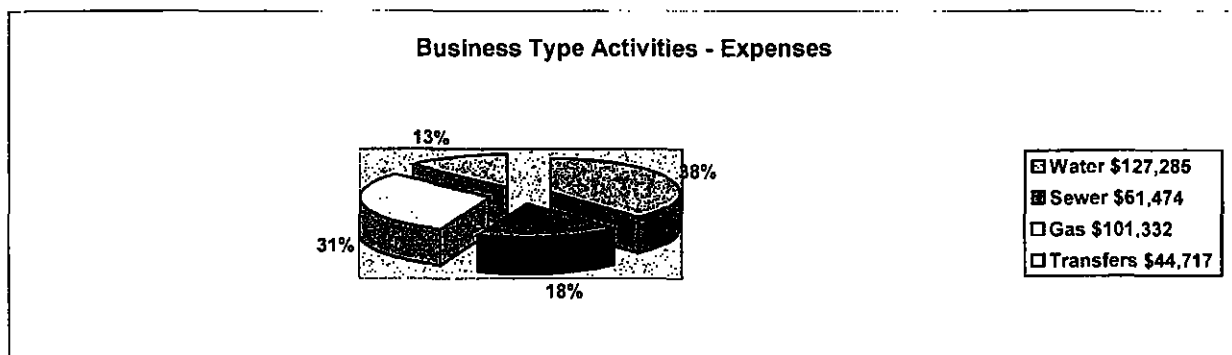
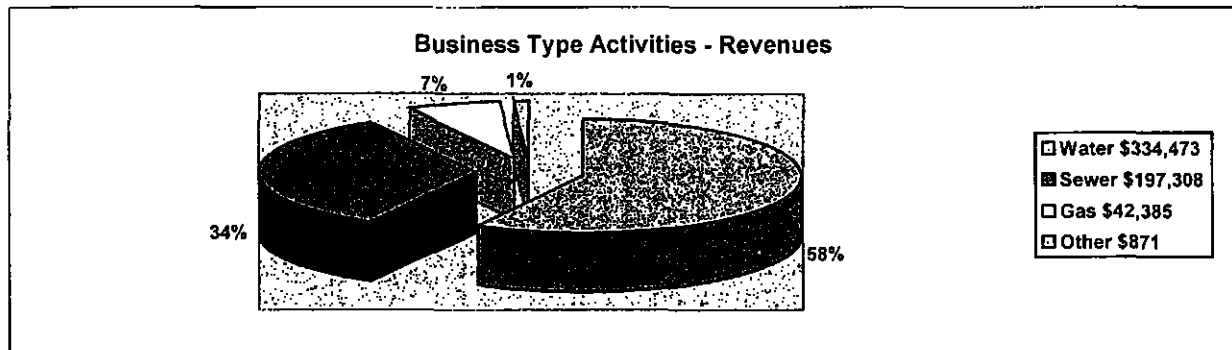


The notes to the financial statements should be read to have a full understanding of the data in the government-wide financial statements.

Business Type Activities

The Business Type Activities of the Village are those revenues resulting from fees charged customers. The Village has three Business Type Activities, (water, gas, and sewer) which are accounted for in the utility funds.

The following presents in graphs the information from the Statement of Activities for the Business Type Activities:



VILLAGE OF SICILY ISLAND, LOUISIANA
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2005

GOVERNMENTAL ACTIVITIES – continued

The notes to the financial statements should be read to have a full understanding of the data in the government-wide financial statements.

Comments on General Fund Budget

The Village's budget was not revised during the last year. The budgeted expenditures were \$296,704 compared to total expenditures of \$262,847. Revenues were budgeted at \$265,950 compared to total revenues of \$216,463. Additional information is available on Pages 28 and 29 of Part II of these financial statements.

CAPITAL ASSETS AND DEBT

As of June 30, 2005, the Village had \$159,622 invested in capital assets in the general fund and \$1,938,056 in the proprietary fund. This year there were additions of \$26,445 in the general fund and \$380,917 in the utility fund. The following capital assets were purchased in this year:

General fund:

1. Park building	\$ 14,199
2. Recreation equipment	3,728
3. Fire equipment	8,518
	<u>\$ 26,445</u>

Enterprise fund:

4. Water well	\$ 216,208
5. Water and gas lines	164,709
	<u>\$ 380,917</u>

At the end of the current fiscal year, the Village had outstanding bonded debt of \$264,000. Principle payments of \$10,000 are due to be paid during the next fiscal year. This debt was incurred in 1981 with an original balance of \$393,000 with an interest rate of 5%.

REQUEST FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. Any questions about this report or request for additional information may be directed to Alice Perry, Town Clerk, Village of Sicily Island, Louisiana.

Basic Financial Statements

Government-Wide Financial Statements

VILLAGE OF SICILY ISLAND, LOUISIANA

STATEMENT OF NET ASSETS

JUNE 30, 2005

	Governmental Activities	Business- Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 172,776	\$ 24,346	\$ 197,122
Receivables (net of allowances for uncollectibles)	39,732	21,850	61,582
Restricted assets	-	15,697	15,697
Accrued interest income	-	258	258
Capital assets (net)	<u>162,953</u>	<u>2,211,929</u>	<u>2,374,882</u>
Total assets	<u>\$ 375,461</u>	<u>\$ 2,274,080</u>	<u>\$ 2,649,541</u>
<u>LIABILITIES</u>			
Accounts, salaries, and other payables	\$ 27,315	\$ 9,470	\$ 36,785
Payable from restricted assets	-	19,873	19,873
Compensated absences payable	2,187	-	2,187
Meter deposits	-	32,749	32,749
Capital lease payable, due within one year	3,331	-	3,331
Note payable, beyond one year	<u>-</u>	<u>254,000</u>	<u>254,000</u>
Total liabilities	<u>\$ 32,833</u>	<u>\$ 316,092</u>	<u>\$ 348,925</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 159,622	\$ 1,938,056	\$ 2,097,678
Restricted for debt service	-	15,697	15,697
Unrestricted	<u>183,006</u>	<u>4,235</u>	<u>187,241</u>
Total net assets	<u>\$ 342,628</u>	<u>\$ 1,957,988</u>	<u>\$ 2,300,616</u>

The accompanying notes are an integral part of this financial statement.

STATEMENT B

VILLAGE OF SICILY ISLAND, LOUISIANA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

	Program Revenues			Net (Expenses)/ Revenue	Net (Expenses), Revenues, and Changes		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business- Type Activities	Total
GOVERNMENTAL ACTIVITIES	Expenses						
General government	\$ 123,485	\$ -	\$ 17,730	\$ (105,755)	\$ (105,755)	\$ -	\$ (105,755)
Public safety							
Police	88,218	-	-	(6,547)	(6,547)	-	(6,547)
Fire	17,479	-	7,700	(1,519)	(1,519)	-	(1,519)
Public works							
Sanitation	27,415	-	-	14,504	14,504	-	14,504
Interest on long-term debt	525	-	-	(525)	(525)	-	(525)
Total governmental activities	\$ 257,122	\$ -	\$ 25,430	\$ (99,842)	\$ (99,842)	\$ -	\$ (99,842)
BUSINESS-TYPE ACTIVITIES							
Water	\$ 127,285	\$ 68,402	\$ 266,071	\$ 207,188	\$ -	\$ 207,188	\$ 207,188
Gas	101,332	115,453	81,855	95,976	-	95,976	95,976
Sewer	61,474	42,385	-	(19,089)	-	(19,089)	(19,089)
Total business-type activities	\$ 290,091	\$ 226,240	\$ 347,926	\$ 284,075	\$ -	\$ 284,075	\$ 284,075
Total	\$ 547,213	\$ 358,090	\$ 373,356	\$ 184,233	\$ (99,842)	\$ 284,075	\$ 184,233

General Revenues:

Taxes:

Ad Valorem

Franchise taxes

Beer taxes

Occupational licenses

Investment earnings

Other general revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

\$ 11,631	\$ -	\$ 11,631
4,698	-	4,698
1,128	-	1,128
16,523	-	16,523
3,015	871	3,886
22,188	-	22,188
44,717	(44,717)	-
\$ 103,900	\$ (43,846)	\$ 60,054
\$ 4,058	\$ 240,229	\$ 244,287
338,570	1,717,759	2,056,329
\$ 342,628	\$ 1,957,988	\$ 2,300,616

The accompanying notes are an integral part of this financial statement.

Fund Financial Statements

Governmental Funds

VILLAGE OF SICILY ISLAND, LOUISIANA

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2005

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 172,776
Receivables (net of allowances for uncollectibles)	<u>39,732</u>
Total assets	<u>\$ 212,508</u>
<u>LIABILITIES AND FUND BALANCES</u>	
Liabilities:	
Accounts, salaries, and other payables	\$ <u>27,315</u>
Total liabilities	<u>\$ 27,315</u>
Fund balances:	
Unreserved, reported in:	
General Fund	\$ <u>185,193</u>
Total fund balances	<u>\$ 185,193</u>
Total liabilities and fund balances	<u>\$ 212,508</u>

The accompanying notes are an integral part of this financial statement.

VILLAGE OF SICILY ISLAND, LOUISIANA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE FINANCIAL STATEMENT OF NET ASSETS**

JUNE 30, 2005

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund Balances, Total Governmental Funds (Statement C)	\$ 185,193
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	162,953
Long-term liabilities including bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	(2,187)
Bonds, notes, and loans payable	<u>(3,331)</u>
Net Assets of Governmental Activities (Statement A)	<u>\$ 342,628</u>

The accompanying notes are an integral part of this financial statement.

VILLAGE OF SICILY ISLAND, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	<u>General Fund</u>
<u>REVENUES</u>	
Taxes:	
Ad valorem	\$ 11,631
Franchise	4,698
Occupational licenses	16,523
Beer tax	1,128
Intergovernmental revenues:	
Federal grants	7,700
State and local	17,730
Fines and forfeitures	81,671
Charges for services	50,179
Investment earnings	3,015
Other revenues	<u>22,188</u>
Total revenues	\$ <u>216,463</u>
<u>EXPENDITURES</u>	
General government	\$ 120,558
Public safety:	
Police	76,522
Fire	9,754
Public works:	
Sanitation	25,965
Capital outlay	26,445
Debt service:	
Principal	3,078
Interest	<u>525</u>
Total expenditures	\$ <u>262,847</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>(46,384)</u>
<u>OTHER FINANCING SOURCES (USES)</u>	
Transfers in	\$ <u>44,717</u>
Total other financing sources (uses)	\$ <u>44,717</u>
Net change in fund balance	\$ (1,667)
Fund balances – beginning	<u>186,860</u>
Fund balances – ending	<u>\$ 185,193</u>

The accompanying notes are an integral part of this financial statement.

VILLAGE OF SICILY ISLAND, LOUISIANA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances, Total Governmental Funds (Statement E)	\$	(1,667)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		2,393
The issuance of long-term debt (bonds, leases, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		3,078
Some expenses reported in the governmental funds do not require the use of current financial resources and, therefore, are not reported as expenditures in the statement of activities.		<u>254</u>
Change in Net Assets of Governmental Activities (Statement B)	\$	<u>4,058</u>

The accompanying notes are an integral part of this financial statement.

Proprietary Funds

VILLAGE OF SICILY ISLAND, LOUISIANA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

JUNE 30, 2005

	Major Funds			
	Business-Type Activities – Enterprise Funds			
	Water	Sewer	Gas	Totals
ASSETS				
Current assets				
Cash and cash equivalents	\$ 23,801	\$ 5	\$ 540	\$ 24,346
Receivables (net of allowances for uncollectibles)	8,811	4,993	8,046	21,850
Accrued interest income	166	92	-	258
Total current assets	<u>\$ 32,778</u>	<u>\$ 5,090</u>	<u>\$ 8,586</u>	<u>\$ 46,454</u>
Noncurrent assets				
Restricted assets				
Cash and cash equivalents	\$ -	\$ 15,697	\$ -	\$ 15,697
Capital assets (net of accumulated depreciation)	849,655	1,043,038	319,236	2,211,929
Total noncurrent assets	<u>\$ 849,655</u>	<u>\$ 1,058,735</u>	<u>\$ 319,236</u>	<u>\$ 2,227,626</u>
Total assets	<u>\$ 882,433</u>	<u>\$ 1,063,825</u>	<u>\$ 327,822</u>	<u>\$ 2,274,080</u>
LIABILITIES				
Current liabilities				
Accounts, salaries, and other payables	\$ 5,278	\$ 1,225	\$ 2,967	\$ 9,470
Meter deposits	32,749	-	-	32,749
Total current liabilities	<u>\$ 38,027</u>	<u>\$ 1,225</u>	<u>\$ 2,967</u>	<u>\$ 42,219</u>
Current liabilities payable from restricted assets				
Accrued interest payable from restricted assets	\$ -	\$ 9,873	\$ -	\$ 9,873
Current portion of long-term debt	-	10,000	-	10,000
Total current liabilities payable from restricted assets	<u>\$ -</u>	<u>\$ 19,873</u>	<u>\$ -</u>	<u>\$ 19,873</u>
Noncurrent liabilities				
Long-term debt	\$ -	\$ 254,000	\$ -	\$ 254,000
Total noncurrent liabilities	<u>\$ -</u>	<u>\$ 254,000</u>	<u>\$ -</u>	<u>\$ 254,000</u>
Total liabilities	<u>\$ 38,027</u>	<u>\$ 275,098</u>	<u>\$ 2,967</u>	<u>\$ 316,092</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 849,655	\$ 769,165	\$ 319,236	\$ 1,938,056
Restricted for debt services	-	15,697	-	15,697
Unrestricted	(5,249)	3,865	5,619	4,235
Total net assets	<u>\$ 844,406</u>	<u>\$ 788,727</u>	<u>\$ 324,855</u>	<u>\$ 1,957,988</u>

The accompanying notes are an integral part of this financial statement.

VILLAGE OF SICILY ISLAND, LOUISIANA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	Major Funds			
	Business-Type Activities – Enterprise Funds			Totals
	Water	Sewer	Gas	
OPERATING REVENUES				
Charges for services	\$ 65,513	\$ 41,349	\$ 113,109	\$ 219,971
Other operating revenue	<u>2,889</u>	<u>1,036</u>	<u>2,344</u>	<u>6,269</u>
Total operating revenues	\$ <u>68,402</u>	\$ <u>42,385</u>	\$ <u>115,453</u>	\$ <u>226,240</u>
OPERATING EXPENSES				
Salaries and payroll taxes	\$ 40,884	\$ 8,115	\$ 8,115	\$ 57,114
Contract services	3,746	-	-	3,746
Legal and accounting	4,104	-	-	4,104
Materials and supplies	6,498	1,880	76,767	85,145
Repairs and maintenance	8,993	714	100	9,807
Insurance	6,270	1,138	333	7,741
Depreciation	35,795	29,176	14,982	79,953
Dues	-	-	224	224
Utilities and telephone	8,319	6,273	-	14,592
Bad debts	8,545	7	90	8,642
Miscellaneous	<u>4,131</u>	<u>838</u>	<u>721</u>	<u>5,690</u>
Total operating expenses	\$ <u>127,285</u>	\$ <u>48,141</u>	\$ <u>101,332</u>	\$ <u>276,758</u>
Operating income (loss)	\$ <u>(58,883)</u>	\$ <u>(5,756)</u>	\$ <u>14,121</u>	\$ <u>(50,518)</u>
Nonoperating revenues (expenses)				
Interest earnings	\$ 509	\$ 362	\$ -	\$ 871
Interest expense	<u>-</u>	<u>(13,333)</u>	<u>-</u>	<u>(13,333)</u>
Total nonoperating revenues (expenses)	\$ <u>509</u>	\$ <u>(12,971)</u>	\$ <u>-</u>	\$ <u>(12,462)</u>
Income before contributions and transfers	\$ (58,374)	\$ (18,727)	\$ 14,121	\$ (62,980)
Capital contributions	266,071	-	81,855	347,926
Transfer out	<u>(4,190)</u>	<u>(14,358)</u>	<u>(26,169)</u>	<u>(44,717)</u>
Change in net assets	\$ 203,507	\$ (33,085)	\$ 69,807	\$ 240,229
Total net assets – beginning	<u>640,899</u>	<u>821,812</u>	<u>255,048</u>	<u>1,717,759</u>
Total net assets – ending	\$ <u>844,406</u>	\$ <u>788,727</u>	\$ <u>324,855</u>	\$ <u>1,957,988</u>

The accompanying notes are an integral part of this financial statement.

VILLAGE OF SICILY ISLAND, LOUISIANA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Enterprise Fund</u> <u>Utility Fund</u>
<u>Cash Flows From Operating Activities</u>	
Receipts from customers and users	\$ 220,576
Payments to suppliers	(145,636)
Payments to employees	(50,623)
Net cash provided by operating activities	<u>\$ 24,317</u>
<u>Cash Flows From Noncapital Financing Activities</u>	
Transfers to other funds	\$ (44,717)
Net cash used by noncapital financing activities	<u>\$ (44,717)</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Capital contributions	\$ 347,926
Purchase of capital assets	(349,800)
Principal paid on capital debt	(9,000)
Interest paid on capital debt	(13,669)
Net cash used by capital and related financing activities	<u>\$ (24,543)</u>
<u>Cash Flows from Investing Activities</u>	
Interest on temporary investments	\$ 1,080
Net cash provided by investing activities	<u>\$ 1,080</u>
Net decrease in cash and cash equivalents	\$ (43,863)
Cash and cash equivalents, beginning of year	<u>83,906</u>
Cash and cash equivalents, end of year	<u><u>\$ 40,043</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities</u>	
Operating loss	\$ (50,518)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities</u>	
Depreciation	\$ 79,953
Change in assets and liabilities	
(Increase) decrease in:	
Accounts receivable – customers	(5,664)
Increase (decrease) in:	
Accounts payable	(2,318)
Customer deposits	2,864
Total adjustments	<u>\$ 74,835</u>
Net cash provided by operating activities	<u><u>\$ 24,317</u></u>

The accompanying notes are an integral part of this financial statement.

Notes to the Financial Statements

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

INTRODUCTION

Village of Sicily Island, Louisiana is a municipal corporation governed by an elected mayor. The Village was incorporated August 21, 1995 under provisions of the Lawrason Act. The purpose of the municipality is to provide utility services, public safety (police and fire), sanitation, and general administrative services. The Board of Aldermen consists of three elective members and they are paid \$554 per month. The Village is located in the northeastern portion of Catahoula Parish, Louisiana. The population of Sicily Island is 455 persons. The Village has 5 full-time employees. Village of Sicily Island, Louisiana has approximately 502 utility customers.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the municipality is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the municipality may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation* (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The municipality reports the following major governmental funds:

The General Fund is the municipality's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The municipality reports the following major proprietary funds:

The Utility Fund is used to account for the provision of gas and water utilities, as well as sewer services to residents of the Village and some residents of the Parish. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, and related debt service and billing and collection.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on-going operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation* (continued)

When both restricted and unrestricted resources are available for use, it is the municipality's policy to use restricted resources first, then unrestricted resources, as they are needed.

C. *Deposits and Investments*

The municipality's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of six months or less from the date of acquisition. State law allows the municipality to invest in collateralized certificates of deposits, government-backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities.

D. *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Uncollectible amounts due for ad valorem taxes and customer's utility receivables are recognized through the establishment of an allowance account at the time information becomes available, which would indicate the uncollectibility of the particular receivable.

The Village annually levies ad valorem taxes in accordance with state statute for the fiscal year ended June 30. Tax bills are prepared and delivered in October with payment due from the date of receipt to the last day of February. Because of the due dates noted previously, ad valorem taxes are not considered to be available resources of the fiscal year to which they apply and are, therefore, not accrued at the end of the fiscal year.

The Village bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Catahoula Parish.

For the year ended June 30, 2005, taxes of 7.80 mills were levied on property with assessed valuations totaling \$1,481,310, after abatements and exemptions and were dedicated as follows:

General corporate purposes	7.80 mills
Total taxes levied were	\$11,554

E. *Inventories*

For both governmental and proprietary funds, purchase of various operating supplies are regarded as expenditures or expenses at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year. For the year ending June 30, 2005, these amounts were considered to be immaterial.

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Restricted Assets - Utility Fund

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. In situations where it is permissible to spend restricted resources, the Village typically depletes the available restricted resources before consuming unrestricted resources. Restricted assets were applicable to the following at June 30, 2005:

Depreciation Fund	\$ 784
Reserve Fund	412
Sinking Fund	<u>14,501</u>
	<u>\$ 15,697</u>

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The municipality maintains a threshold level of \$500 or more for capitalizing capital assets used in the governmental funds.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Governmental activities:	
Land improvements	30 years
Buildings	40 years
Vehicles	5-15 years
Machinery and equipment	5-15 years
<u>Description</u>	<u>Estimated Lives</u>
Business-type activities/Enterprise Fund:	
Buildings	25 years
Infrastructure	20-50 years
Machinery and equipment	10-20 years
Vehicles	5 years

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. *Compensated Absences*

Each full-time employee is credited with one day of vacation leave for each month worked. The employee's vacation leave will begin to accumulate upon finishing a six-month probation period. Employees are allowed five days of sick leave up until his or her first anniversary date arrives. After his or her first anniversary, the employee shall earn sick leave at the rate of ten days per anniversary date. In accordance with GASB Statement No. 16, the Village had accrued compensated absences of \$2,187 as of June 30, 2005.

I. *Long-Term Obligations*

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

L. *Reconciliations of Government-Wide and Fund Financial Statements*

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets is presented in Statement D of the basic financial statements. Explanation of certain differences between the governmental fund statement of revenues, expenses, and changes in fund balances and the government-wide statement of activities is presented in Statement F of the basic financial statements.

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The Village follows procedures established by Louisiana Revised Statute in the preparation and adoption of its annual operating budgets as follows:

1. The Village prepares a proposed budget and submits same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program, or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budget amounts are as originally adopted, or as amended from time to time by the Board of Aldermen.

NOTE 3 - CASH AND CASH EQUIVALENTS

At June 30, 2005, the municipality had cash and cash equivalents (book balances) totaling \$212,819 as follows:

Demand deposits	\$ 11,677
Interest-bearing demand deposits	57,783
Time deposits	143,137
Cash on hand	<u>222</u>
Total	<u>\$ 212,819</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2005, the municipality had \$221,779 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$351,682 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 3 - CASH AND CASH EQUIVALENTS (continued)

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the municipality that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 4 - RECEIVABLES

The receivables of \$61,582 at June 30, 2005, were as follows:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Taxes:			
Ad valorem	\$ 999	\$ -	\$ 999
Sales and use	4,849	-	4,849
Accounts	17,219	25,509	42,728
Other	16,993	-	16,993
Allowance for uncollectibles	(328)	(3,659)	(3,987)
Total	<u>\$ 39,732</u>	<u>\$ 21,850</u>	<u>\$ 61,582</u>

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the receivable.

NOTE 5 - INTERFUND RECEIVABLES/PAYABLES

There were no interfund receivables or payables at June 30, 2005.

NOTE 6 - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2005, were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 13,000	\$ -	\$ -	\$ 13,000
Total capital assets, not being depreciated	<u>\$ 13,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,000</u>
Capital assets being depreciated				
Buildings	\$ 54,810	\$ 14,199	\$ -	\$ 69,009
Land improvements	13,920	-	-	13,920
Machinery and equipment	74,178	12,246	-	86,424
Vehicles	<u>221,386</u>	<u>-</u>	<u>-</u>	<u>221,386</u>
Total capital assets being depreciated	<u>\$ 364,294</u>	<u>\$ 26,445</u>	<u>\$ -</u>	<u>\$ 390,739</u>

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 6 – CAPITAL ASSETS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for:				
Buildings and structures	\$ (19,637)	\$ (1,811)	\$ -	\$ (21,448)
Improvements other than buildings	(39)	(464)	-	(503)
Machinery and equipment	(32,495)	(6,074)	-	(38,569)
Vehicles	(164,563)	(15,703)	-	(180,266)
Total accumulated depreciation	<u>\$ (216,734)</u>	<u>\$ (24,052)</u>	<u>\$ -</u>	<u>\$ (240,786)</u>
Total capital assets being depreciated, net	<u>\$ 160,560</u>	<u>\$ 2,393</u>	<u>\$ -</u>	<u>\$ 162,953</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 39,280	\$ -	\$ -	\$ 39,280
Construction in progress	31,116	-	31,116	-
Total capital assets, not being depreciated	<u>\$ 70,396</u>	<u>\$ -</u>	<u>\$ 31,116</u>	<u>\$ 39,280</u>
Capital assets being depreciated				
Buildings	\$ 24,383	\$ -	\$ -	\$ 24,383
Infrastructure	2,657,143	380,917	-	3,038,060
Machinery, equipment, and vehicles	181,667	-	-	181,667
Total capital assets being depreciated	<u>\$ 2,863,193</u>	<u>\$ 380,917</u>	<u>\$ -</u>	<u>\$ 3,244,110</u>
Less accumulated depreciation for:				
Buildings	\$ (21,632)	\$ (551)	\$ -	\$ (22,183)
Infrastructure	(813,431)	(69,222)	-	(882,653)
Machinery, equipment, and vehicles	(156,444)	(10,181)	-	(166,625)
Total accumulated depreciation	<u>\$ (991,507)</u>	<u>\$ (79,954)</u>	<u>\$ -</u>	<u>\$ (1,071,461)</u>
Total capital assets being depreciated, net	<u>\$ 1,942,082</u>	<u>\$ 300,963</u>	<u>\$ 31,116</u>	<u>\$ 2,211,929</u>

Depreciation expense of \$24,052 for the year ended June 30, 2005, was charged to the following governmental functions:

General government	\$ 3,181
Public safety:	
Police	11,696
Fire	7,725
Public works:	
Sanitation	1,450
Total	<u>\$ 24,052</u>

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 7 – INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2005, were as follows:

\$44,717 was transferred from the Utility Fund to the General Fund.

Transfers are primarily used to move funds from the Proprietary Funds to the General Fund to cover expenses of general operations.

NOTE 8 – ACCOUNTS, SALARIES, AND OTHER PAYABLES

The payables of \$36,785 at June 30, 2005 were as follows:

	General Fund	Enterprise Fund	Total
Withholdings	\$ 18,936	\$ 3,110	\$ 22,046
Accounts	8,379	6,360	14,739
Total	<u>\$ 27,315</u>	<u>\$ 9,470</u>	<u>\$ 36,785</u>

NOTE 9 – LEASES

The municipality records items under capital leases as an asset and an obligation in the accompanying financial statements. The following is an analysis of capital leases:

Type	Recorded Amount
Equipment (tractor)	\$ 12,858
Less: Accumulated depreciation	(3,322)
Net carrying value	<u>\$ 9,536</u>

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of June 30, 2005:

Fiscal Year	Equipment
2006	<u>\$ 3,604</u>
Net minimum lease payments	\$ 3,604
Less – amounts representing interest	(273)
Present value of net minimum lease payments	<u>\$ 3,331</u>

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 10 – LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 2005:

	Bonded Debt	Compensated Absences	Total
Long-term obligations at beginning of year	\$ 273,000	\$ 2,440	\$ 275,440
Additions	-	-	-
Deductions	9,000	253	9,253
Long-term obligations at end of year	<u>\$ 264,000</u>	<u>\$ 2,187</u>	<u>\$ 266,187</u>

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of June 30, 2005:

	Bonded Debt	Compensated Absences	Total
Current portion	\$ 10,000	\$ 2,187	\$ 12,187
Long-term portion	254,000	-	254,000
Total	<u>\$ 264,000</u>	<u>\$ 2,187</u>	<u>\$ 266,187</u>

Long-term debt consisted of a \$393,800 Sewer Revenue Bond dated September 2, 1981, due in annual installments of \$9,000 to \$23,000 through September 2, 2021 with interest rate of 5%.

A schedule of maturities of long-term debt follows for the years ended June 30:

Year ended	Principal	Interest	Total
2006	10,000	13,200	23,200
2007	10,000	12,700	22,700
2008	11,000	12,200	23,200
2009	11,000	11,650	22,650
2010	12,000	11,100	23,100
2011-2015	70,000	46,000	116,000
2016-2020	95,000	26,000	121,000
2021-2023	45,000	3,400	48,400
	<u>\$ 264,000</u>	<u>\$ 136,250</u>	<u>\$ 400,250</u>

Interest incurred in connection with long-term debt totaled \$13,333 and the entire balance has been presented as a direct expense of the Village sewer system.

NOTE 12 – SALES AND USE TAX REVENUES

Village of Sicily Island receives hard surface road tax and sanitation tax from Catahoula Parish.

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 13 - RETIREMENT SYSTEM

Beginning in February 2004, Village of Sicily Island offers its employees a voluntary savings plan under Section 457(b) of the Internal Revenue Code. The plan, available to all employees, permits them to defer a portion of their salary until future years. Distributions are available if the employee terminates employment, becomes disabled, retires, or dies. Distributions are also available to meet immediate and unexpected financial hardship needs. The Village also established a 401(a) plan, which allows matching up to 3% of the employees gross compensation, only if the employee participated in the 457(b) plan. To be eligible for this plan, the employee must have completed at least 90 days of service. Elected officials are not permitted to participate in the 401(a) plan. As of June 30, 2005, Village of Sicily Island has accrued \$4,791 in matching contributions.

NOTE 14 - COMPENSATION OF THE GOVERNING BOARD

The Governing Board of Village of Sicily Island, Louisiana consists of a Mayor and three Board of Aldermen. For the fiscal year ended June 30, 2005, the following compensations were paid:

	<u>Salary</u>
Art Goode, Mayor	\$ 6,645
Tim Ford, Alderman	3,323
Gloria Anderson, Alderwoman	6,645
Emma Hilliard, Alderwoman	6,645
Derrick Frazier, Alderman	<u>1,661</u>
Totals	<u>\$ 24,919</u>

NOTE 15 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 16 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

Required Supplemental Information (Part II)

VILLAGE OF SICILY ISLAND, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 31,100	\$ 31,100	\$ 32,071	\$ 971
Licenses and permits	16,000	16,000	16,523	523
Intergovernmental revenues	40,000	40,000	25,430	(14,570)
Fines and forfeitures	102,000	102,000	81,671	(20,329)
Charges for services	53,300	53,300	50,179	(3,121)
Other	23,550	23,550	10,589	(12,961)
Total revenues	<u>\$ 265,950</u>	<u>\$ 265,950</u>	<u>\$ 216,463</u>	<u>\$ (49,487)</u>
Expenditures				
Current				
General government	\$ 160,796	\$ 160,796	\$ 147,003	\$ 13,793
Public safety:				
Police	102,870	102,870	76,522	26,348
Fire	10,773	10,773	9,754	1,019
Public works:				
Sanitation	22,265	22,265	25,965	(3,700)
Debt service:				
Principal	-	-	3,078	(3,078)
Interest	-	-	525	(525)
Total expenditures	<u>\$ 296,704</u>	<u>\$ 296,704</u>	<u>\$ 262,847</u>	<u>\$ 33,857</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (30,754)</u>	<u>\$ (30,754)</u>	<u>\$ (46,384)</u>	<u>\$ (15,630)</u>
Other Financing Sources (Uses)				
Transfers in	\$ 30,900	\$ 30,900	\$ 44,717	\$ 13,817
Total other financing sources (uses)	<u>\$ 30,900</u>	<u>\$ 30,900</u>	<u>\$ 44,717</u>	<u>\$ 13,817</u>
Net Change in Fund Balance	<u>\$ 146</u>	<u>\$ 146</u>	<u>\$ (1,667)</u>	<u>\$ (1,813)</u>
Fund Balance at Beginning of Year	<u>\$ 176,352</u>	<u>\$ 176,352</u>	<u>\$ 186,860</u>	<u>\$ 10,508</u>
Fund Balance at End of Year	<u>\$ 176,498</u>	<u>\$ 176,498</u>	<u>\$ 185,193</u>	<u>\$ 8,695</u>

The accompanying notes are an integral part of this financial statement.

VILLAGE OF SICILY ISLAND, LOUISIANA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2005

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

1. Basis of Presentation

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, and variances between the final budget and the actual data.

2. Budget Amendments and Revisions

The budget is adopted by the Board of Aldermen. Amendments can be made on the approval of the Board of Aldermen. No amendments have been made from the original adopted budget. A budgetary comparison is presented for the General Fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America. There were no major special revenue funds.

Reports on Compliance and Internal Control



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Art Goode, Mayor
and Members of the Board of Aldermen
Village of Sicily Island
Sicily Island, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Village of Sicily Island, Louisiana, as of and for the year ended June 30, 2005, which collectively comprise Village of Sicily Island, Louisiana's basic financial statements, and have issued our report thereon dated September 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Sicily Island, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Village of Sicily Island, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Current Year Findings, Recommendations, and Corrective Action Plan as item numbers 05-02, 05-03, 05-04, and 05-05.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition 05-02 described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Sicily Island, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Current Year Findings, Recommendations, and Corrective Action Plan as item 05-01.

This report is intended for the information of the Mayor, Members of the Board of Aldermen, management of Village of Sicily Island, Louisiana, and Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Silas Simmons, LLP

Natchez, Mississippi
September 16, 2005

VILLAGE OF SICILY ISLAND, LOUISIANA

CURRENT YEAR FINDINGS, RECOMMENDATIONS, AND CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2005

Reference No.	Description of Finding Section I – Internal Control and Compliance Material to the Financial Statements	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
05-01	In review of the 1981 Sewer Revenue bond agreement, we noted that the Village is not in compliance with its loan covenants.	Management plans to create a permanent schedule of loan covenants and insure that these covenants are met.	Alice Perry, Village Clerk	9-30-05
05-02	From the understanding of the Village's internal control structure, we have determined that the small size of the Village and its limited number of personnel do not allow for the adequate segregation of duties among employees.	Management will continue to develop and implement control procedures to minimize this inherent problem associated with being a small entity.	Alice Perry, Village Clerk	N/A
05-03	During April 2004, the Village converted its utility billing system. As of June 30, 2005, all customer utility deposits have not been entered into the new billing system.	Management plans to enter all utility deposits into the new billing system.	Alice Perry, Village Clerk	9-30-05
05-04	The Village has not filed a Louisiana Sales Tax Return for the months of July 2004 to August 2005. Also, the Village is not currently charging all of its commercial customers sales tax on its water and gas.	Management plans to file all delinquent sales tax returns and review all commercial customers' accounts to determine if they are being charged with sales tax.	Alice Perry, Village Clerk	9-30-05
05-05	The Village has been consistently late on filing and depositing its payroll taxes. The IRS has charged substantial penalties that could have been avoided.	Management plans to file future returns and deposits on time to avoid further penalties.	Alice Perry, Village Clerk	9-30-05

Section II – Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III – Management Letter

No management letter issued.

VILLAGE OF SICILY ISLAND, LOUISIANA

STATUS OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2005

Reference No.	Fiscal Year Finding Initially Occurred	Description of Finding Compliance Material to the Financial Statements	Corrective Action Taken	Planned Corrective Action/Partial Corrective Action Taken
Section I – Internal Control and Compliance				
04-01	6-30-04	In review of the 1981 Sewer Revenue bond agreement, we noted that the Village is not in compliance with its loan covenants.	No	Management plans to create a permanent schedule of loan covenants and insure that these covenants are met.
03-02	6-30-03	From the understanding of the Village's internal control structure, we have determined that the small size of the Village and its limited number of personnel do not allow for the adequate segregation of duties among employees.	No	Management will continue to develop and implement control procedures to minimize this inherent problem associated with being a small entity.
04-02	6-30-04	In review of the control over accounts receivable, we noted that the accounts receivable is not being reconciled on a monthly basis to its subsidiary ledger. Also, the Village was unable to provide us with a complete subsidiary ledger at year end.	Yes	N/A
04-03	6-30-04	During April 2004, the Village converted its utility billing system. All prior unpaid accounts and the customer utility deposits have not been entered into the new billing system.	No	Management has made an effort to collect any arrears accounts as of April 2004 that have not been paid. Management plans to enter all utility deposits into the new system.

Section II – Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III – Management Letter

No management letter issued.